

Message Text

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PAGE 01 WELLIN 02863 01 OF 02 010321Z
ACTION TRSE-00

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 /124 W
-----031830 010354Z /11

R 010301Z JUN 78
FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 5662
INFO AMEMBASSY CANBERRA
AMCONSUL AUCKLAND
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 02 WELLINGTON 02863

GENEVA FOR USMTN

E.O.11652:N/A
TAGS: ETRD, GATT, NZ
SUBJECT: NEW IMPORT LICENSING AND THE GATT

REF: (A) WELLINGTON 2068, (B) STATE 93210,
(C) GENEVA 6191, (D) GENEVA 5777

1. BEGIN SUMMARY:
GOVERNMENT OF NEW ZEALAND HAS REPLIED FORMALLY TO
APRIL 17 US REPRESENTATIONS CONCERNING RELATION OF
IMPORT LICENSING TO ARTICLE XII OF THE GATT AND
INCOMPATIBILITY OF NEW ZEALAND'S SPECIAL IMPORT LICENSE
WITH ARTICLE XIII. IN ESSENCE GNZ HAS ATTEMPTED TO
SIDESTEP BOTH ISSUES. WHILE ACKNOWLEDGING APPLICABILITY
OF INVOCATION OF ARTICLE XII FOR IMPORT LICENSING IN
GENERAL, THE GNZ GIVES NO INDICATION OF ITS INTENTION TO
FOLLOW ACCEPTED GATT PROCEDURE BUT INSTEAD IMPLIES THAT
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PAGE 02 WELLIN 02863 01 OF 02 010321Z

PROGRESS IN THE MTN MIGHT ALLOW SOME EASING OF IMPORT
LICENSING RESTRICTIONS. ON THE SPECIAL IMPORT LICENSES
THE GNZ BELIEVES THAT, GIVEN THE SMALL AMOUNT OF TRADE
AFFECTED, THE US HAS LITTLE REASON TO CLAIM IT IS BEING
DISCRIMINATED AGAINST IN CONTRAVENTION OF ARTICLE XIII.
EMBASSY RECOMMENDS ANY FURTHER MOVES ON OUR PART SHOULD
WAIT UNTIL MTN PICTURE IS CLEARER. END SUMMARY.

2. WE HAVE NOW RECEIVED A FORMAL REPLY FROM THE GOVERNMENT OF NEW ZEALAND IN RESPONSE TO OUR OWN DIPLOMATIC NOTE AND VERBAL REPRESENTATIONS MADE APRIL 17 (REF A.) ON THE SUBJECT OF THE RELATION OF NEW ZEALAND IMPORT LICENSING TO ARTICLE XII OF THE GATT AND THE RELATION OF THE COUNTRY'S SPECIAL IMPORT LICENSING PROGRAM TO ARTICLE XIII. TEXT OF THE GNZ NOTE ON THESE MATTERS IS AS FOLLOWS:

3. "THE MINISTRY OF FOREIGN AFFAIRS OF NEW ZEALAND PRESENTS ITS COMPLIMENTS TO THE EMBASSY OF THE UNITED STATES OF AMERICA AND HAS THE HONOUR TO REFER TO THE AMBASSADOR'S NOTE NUMBER 52 OF 20 APRIL 1978, WHICH RAISED THE QUESTION OF THE RELATIONSHIP OF THE IMPORT DEPOSIT SCHEME AND SPECIAL TRADE LICENCES TO NEW ZEALAND'S OBLIGATIONS UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE.

4. THE EMBASSY WILL BE AWARE THAT NEW ZEALAND'S IMPORT DEPOSIT SCHEME, WHICH WAS INTRODUCED AS A TEMPORARY MEASURE FOR BALANCE OF PAYMENTS REASONS, WAS DISCONTINUED ON 2 FEBRUARY 1978.

5. THE NEW ZEALAND GOVERNMENT HAS NOTED THE VIEW OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA THAT IT IS MAINTAINING QUANTITATIVE RESTRICTIONS ON IMPORTS IN LIMITED OFFICIAL USE

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PAGE 03 WELLIN 02863 01 OF 02 010321Z

CONTRAVENTION OF ARTICLE XI: I WITHOUT GATT JUSTIFICATION FOR SUCH RESTRICTIONS. THE UNITED STATES GOVERNMENT WILL BE AWARE THAT OVER RECENT YEARS NEW ZEALAND HAS EXPERIENCED SERIOUS BALANCE OF PAYMENTS PROBLEMS. NEW ZEALAND COULD IN THESE CIRCUMSTANCES HAVE CONSIDERED INCREASING THE COVERAGE OF IMPORT LICENSING WITH THE JUSTIFICATION OF ARTICLE XII OF THE GATT. THE NEW ZEALAND GOVERNMENT HAS, HOWEVER, MADE IT CLEAR THAT IT WOULD PREFER TO CORRECT THE IMBALANCE IN OVERSEAS TRANSACTIONS BY INCREASING EXPORTS, RATHER THAN BY WIDENING IMPORT RESTRICTIONS. THE UNITED STATES GOVERNMENT WILL BE AWARE OF THE DIFFICULTIES THAT NEW ZEALAND FACES IN ACHIEVING THIS, GIVEN THAT NEW ZEALAND'S MAJOR EXPORT PRODUCTS FACE SERIOUS TARIFF AND NON-TARIFF ACCESS RESTRICTIONS IN MOST MARKETS. THE NEW ZEALAND GOVERNMENT HAS THEREFORE TAKEN A CONSIDERABLE INTEREST IN THE MULTILATERAL TRADE NEGOTIATIONS CURRENTLY BEING UNDERTAKEN UNDER GATT AUSPICES. THE OUTCOME OF THESE NEGOTIATIONS WILL BE RELEVANT TO FUTURE CONSIDERATION OF NEW ZEALAND'S IMPORT LICENSING SYSTEM AND ITS RELATIONSHIP TO THE GATT.

6. THE NEW ZEALAND GOVERNMENT HAS ALSO TAKEN NOTE OF THE UNITED STATES GOVERNMENT'S BELIEF THAT ITS SPECIAL LICENCE POLICY CONTRAVENES ARTICLE XIII: 2 (C) OF THE GATT. THE NEW ZEALAND AUTHORITIES WISH TO REAFFIRM THAT THESE LICENCES ARE ISSUED TO CERTAIN DEVELOPING AND STATE TRADING COUNTRIES ONLY AND REPRESENT AN EXTREMELY SMALL PROPORTION OF NEW ZEALAND'S TOTAL IMPORTS. BECAUSE OF THE VERY LIMITED EXTENT OF THESE LICENCES, WHICH ARE ADDITIONAL TO NORMAL IMPORT LICENCES, THE NEW ZEALAND GOVERNMENT CONSIDERS THAT THEY DO NOT CONSTITUTE ANY IMPEDIMENT TO THE UNITED STATES' OR OTHER MAJOR TRADING PARTNERS' TRADE WITH NEW ZEALAND.

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PAGE 01 WELLIN 02863 02 OF 02 010320Z
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LIMITED OFFICIAL USE SECTION 02 OF 02 WELLINGTON 02863

7. THE NEW ZEALAND GOVERNMENT WOULD WELCOME AN OPPORTUNITY TO DISCUSS THESE QUESTIONS IN THE NEXT ROUND OF BILATERAL ECONOMIC CONSULTATIONS BETWEEN THE UNITED STATES AND NEW ZEALAND.

8. THE MINISTRY OF FOREIGN AFFAIRS TAKES THIS OPPORTUNITY TO RENEW TO THE EMBASSY OF THE UNITED STATES OF AMERICA, THE ASSURANCES OF ITS HIGHEST CONSIDERATION."

9. AS STATED REF A. WE DO NOT BELIEVE IT PRODUCTIVE TO PRESS THE GNZ FURTHER ON THESE ISSUES UNTIL WE AND THE GNZ HAD A CLEARER IDEA OF THE POSSIBLE OUTCOME OF THE MTN.

USMTN CONCURS IN THIS VIEW (REF C.) ONCE THAT IS CLEAR
AND DEPENDING ON THE OUTCOME, HOWEVER, WE BELIEVE THAT
WE SHOULD ONCE AGAIN PRESS THESE ISSUES VIGOROUSLY BOTH
HERE AND IN GENEVA. ALTHOUGH WE AGREE WITH THE GNZ
CONTENTION THAT THE IMPACT OF THE SPECIAL TRADE
LICENSES ON OUR OWN EXPORTS IS MINIMAL, WE AT THE SAME
TIME DO NOT BELIEVE USG SHOULD REMAIN SILENT ON SUCH A
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PAGE 02 WELLIN 02863 02 OF 02 010320Z

DISCRIMATORY PROGRAM, EVEN IF ITS EFFECT MIGHT BE
LIMITED TO A SMALL NUMBER OF AMERICAN FIRMS AND/OR
PRODUCTS. WHETHER THE GNZ WILL RESPOND TO OUR PRESSURE,
EVEN AFTER JULY, IS UNCLEAR, BUT WE BELIEVE THE POINT
SHOULD BE MADE IN ANY CASE. HEALY

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